



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony of the Connecticut Insurance Department

Before the
Insurance and Real Estate Committee

Tuesday, February 22, 2011

Senate Bill 920—An Act Concerning Revisions to the Insurance Statutes

Senate Bill 920 is a proposal that has been introduced at the request of the Connecticut Insurance Department. The Department would like to thank the Committee for introducing this initiative on our behalf. This bill modifies various insurance statutes to strengthen the Department's ability to regulate the industry and protect consumers. The Department has sought passage of this proposal in two previous sessions and urges the Committee's support for these much needed changes.

The more substantive changes include:

- Permitting the Commissioner to expand the categories of regulated entities for which consultants can be hired. Consultants are used to assist the Department in conducting exams and investigations and the cost of hiring consultants will be at the expense of the regulated entity.
- Revising the prompt pay statutes to clarify that they apply to both Connecticut licensed providers and those providers licensed in other states. This is in response to an Attorney General's Opinion on this subject.
- Revising the statutes which authorize the Insurance Commissioner to license and permit captives in Connecticut to harmonize with authorities that the Commissioner has with respect to other types of insurers and health care centers such as:

Authorizing the Commissioner to access outside consultants that are not part of the Insurance Department Staff, at the expense of the captive, to assist in financial analysis of the captive, and allow the Commissioner to disclose the contents of an examination report on a captive insurance company to any state agency in Connecticut or elsewhere, if the agency receiving the information agrees to keep it confidential. Under current law, the commissioner's disclosure authority is limited to (1) insurance departments in other states or countries, (2) Connecticut or other states' law enforcement officials, and (3) federal agencies.

The technical changes include:

- Revising the organizational structure of the Department and eliminating outdated and improperly named division references. These changes are being made at the request of the Regulations Review committee in response to action taken on August 28, 2008, regarding Regulation No. 2008-15a.
- Increasing the filing fees from \$20.00 to \$50.00 for the claimant and from \$20.00 to \$100.00 for the insurance company for the arbitration procedures for the settlement of disputes for automobile physical/property damage liability claims.

Requiring a filing fee of \$2500 by domestic insurers when submitting applications for change of control by merger or acquisition. These filings require considerable staff resources and can, often times, be withdrawn or rescinded by the applicant. This filing fee is intended to reflect the costs of the review and current law does not impose any filing fee.

- Including health care centers under the Commissioner's authority to order holding company entities to produce any books and records that need to be examined under the financial examination authority of 38a-14 and the market conduct authority of 38a-15. Although most, if not all, health care centers comply with this requirement, the statutory authority needs to be explicit.
- Amending the Market Conduct Statute to parallel the Financial Exam Statute with respect to exam costs, the use of consultants, payment for out-of-state travel and workpaper confidentiality.
- Deleting a reference to Medicare Supplement products that are outdated and no longer being marketed. Medicare Supplement products are standardized by Federal law and the states are required to follow the federal standards. New plans have been introduced and others will be prohibited beginning in 2010. This change deletes references to any specific plans so the new plans can be sold in Connecticut and that the state is in compliance with Federal law.
- Imposing the same tax assessment, collection, payment, and annual return requirements and procedures on captive insurers as other insurance companies. It also subjects them to the same Department of Revenue Services' regulations as all insurance companies subject to the insurance premium tax. This also requires captive insurance companies to pay taxes by March 1 annually, instead of during February each year and makes technical changes and corrections.

- Clarifying that the Insurance Department will regulate insurance covering bank deposits in excess of the FDIC insurance limit as a surety bond product rather than a financial guaranty.
- Amending the external appeal statute to permit single service plans to be eligible for external appeals.
- Modifies an incorrect cross reference to a Department of Motor Vehicle statute.

Finally, the Department requests the deletion of a previously enacted requirement that the Department promulgate regulations regarding underwriting and rating auto insurance policies. The regulation would be redundant since the provisions of the Department's bulletins and those that would be contained in any regulations are already fully set forth in Public Act 10-7, codified in CGS Section 38a-686. Further, the regulations may limit company innovation and thereby restrict new, and possibly more consumer-friendly, choices concerning personal auto pricing programs. The proposed language below has the effect of allowing for permissive regulatory-making authority.

Delete the amendments made by subsection 1(d) of Public Act 10-7

The Department again, thanks the Committee for raising this bill and encourages the Committee's support of this initiative. We would be happy to answer any questions you may have.